

**[Rosemont Copper Company Letterhead]**

Draft July 9, 2013

Suzanne Shields  
Director  
Pima County Regional Flood Control District  
97 E. Congress, 3<sup>rd</sup> Floor  
Tucson, AZ 85701-1797

**Re: Letter of Intent on Permanent Water for Cienega Creek Natural  
Preserve In Lieu Fee Mitigation Program**

Dear Ms. Shields:

This Letter of Intent is intended to memorialize discussions between the Pima County Regional Flood Control District (PCRFCF) and Rosemont Copper Company (Rosemont) concerning a permanent water supply for the creation of an In Lieu Fee (ILF) mitigation project, compliant with U.S. Army Corps of Engineers 2008 mitigation rule.

Rosemont has offered to use its best efforts to effectuate the following:

- Rosemont will proceed with the purchase of the Water Rights currently associated with the Del Lago Dam in accordance with the existing purchase option and sale agreement pending between Rosemont and the Seller.
- Pending the final purchase of the Water Rights, and in compliance with its agreement with the Seller, Rosemont will prepare an application to sever and transfer 413 acre feet per year of the Water Rights to PCRFCF for use by PCRFCF for recreation and wildlife purposes, including fish, as the beneficial use under A.R.S. § 45-151(A) and § 45-172(A). The place of beneficial use will be as described by PCRFCF, but generally in the area between the Del Lago Dam and Colossal Cave Road.
- The severance and transfer application will, if necessary, be submitted to Cortaro Marana Irrigation District for review and approval and, upon such approval, submitted to the Arizona Department of Water Resources (ADWR) for final approval. Rosemont will coordinate with ADWR to prepare a decision and order of severance and transfer to be effective upon issuance of a quit claim deed from the Seller of the Water Rights to Rosemont, and a quit claim deed from Rosemont to PCRFCF, such that the severance and transfer can be approved (subject only to these conditions) before December 31, 2014.
- All of the 413 acre feet to be transferred to PCRFCF will come from the 1908 priority right to be acquired by Rosemont.
- Rosemont will cooperate with PCRFCF to construct new or maintain existing release valves at selected locations along the existing Del Lago pipeline for the purpose of allowing PCRFCF to make controlled releases of its water rights, in

priority, throughout the year. Reasonable metering equipment will be installed to determine the quantities of the releases.

- PCRFCFCD will be responsible for holding the water right, and managing the ILF program. It is anticipated that RCC will purchase some number of advance mitigation credits in the ILF program.
- The project is intended to begin releases of the permanent water supply in the first quarter of 2015 and to continue every year thereafter in perpetuity.

We believe that this ILF project represents a unique opportunity to create and permanently maintain true in-stream mitigation based on historic water rights of early priority that have a proven history of availability and use. The split of the water rights between Rosemont and PCRFCFCD in the earliest (1908) right insures that PCRFCFCD will have access to 206.5 acre feet of the earliest priority water available, and up to 413 acre feet in almost all years.

This LOI is not binding on either party, and creates no legal obligations. It is intended merely as a statement of interest to proceed in good faith. Neither party will be bound to any obligation unless and until a formal agreements are prepared, approved and executed by the parties. We witness this statement by our mutual signatures below.

**Rosemont Copper Company**

**Pima County Regional Flood  
Control District**

By: \_\_\_\_\_  
Jamie Sturgess

By: \_\_\_\_\_  
Suzanne Shields

Its: \_\_\_\_\_

Its: Director